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E.O. 12958: DECL: 08/24/2016  
TAGS: [PARM](#) [PREL](#) [MNUC](#) [ETTC](#) [MTCRE](#) [AU](#)  
SUBJECT: DANIEL FROSCH EXPORT UPDATE: AUSTRIAN AUTHORITIES  
ARREST ERICH FROSCH, STILL SEARCHING FOR DANIEL FROSCH (S)

REF: A) STATE 135667 B) 06/04 NEUE KRONEN-ZEITUNG

ARTICLE C) VIENNA 1445

Classified By: Economic-Political Counselor Gregory E. Phillips for reasons 1.5 (b) and (d).

11. (S) On August 16 and, following receipt of ref A, on August 24, Econ Unit Chief met with Helmut Krehlik, Head of the Ministry of Economy's Import and Export Control Division, to discuss developments in the Daniel Frosch Export (DFE) Industrial Spare Parts case. Krehlik confirmed that on August 17 the Public Prosecutor had ordered the arrest of DFE CEO, Daniel Frosch, and his father, Erich. Erich Frosch is in custody, but Daniel Frosch has disappeared. Krehlik said that there are indications Daniel Frosch is still in Austria.

12. (S) Krehlik said his office and the Austrian domestic intelligence service (BVT) are scouring DFE records to obtain sufficient evidence to charge the Frosches. According to Krehlik, the Public Prosecutor had been hesitant to issue an arrest warrant and has requested further evidence by August 31 in order to charge the Frosches. Krehlik said that, after initial review, it appears DFE has been extremely careful to excise any written information that would indicate a connection between DFE exports and a military application. Krehlik stated that the MoE will need to prove that DFE exported a "licensed good," or that DFE knowingly exported an "unlicensed good" with the knowledge that the importer would use the goods for military, including WMD, purposes. Krehlik added that the GoA has identified some U.S.-origin goods, which DFE has apparently shipped to Iran, so his office and the BVT are working closely with DHS/ICE officials from the Embassy.

13. (S) Regarding the June 4 Neue Kronen-Zeitung article on the confiscation of a friction tester at Schwechat Airport (ref B), Krehlik said this was "an old story" from August 122005. According to Krehlik, an Austrian customs official, Erich Fleckl, had given the story to the press in June 2006 as part of intra-office politics. He promised to give us the friction tester's specifications and invited USG officials to view the tester in Graz. The friction tester is apparently of German origin.

14. (S) Krehlik said he was unaware of any visits by Daniel Frosch to Iran this summer (ref A). However, he repeated his assessment that Daniel Frosch wants to move his business to the UAE (ref C). According to Krehlik, Erich Frosch reportedly has a 6-month Chinese visa, implying that the elder Frosch would like to move to China. (Note: As reported in ref C, Erich Frosch is married to a Chinese national whose father owns Wuhan Star. End Note  
McCaw